

S&P Global Eurozone Composite PMI®

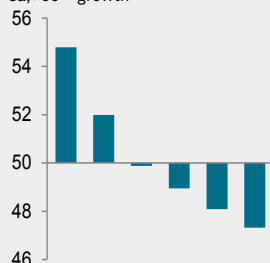
Eurozone output contracts at sharpest rate in almost two years

47.3

EUROZONE
COMPOSITE OUTPUT
INDEX
OCT '22

Composite Output Index

May - Oct '22
sa, >50 = growth



Eurozone Services PMI Business Activity Index, October '22: 48.6

Eurozone Manufacturing PMI Output Index, October '22: 43.8

Eurozone Manufacturing PMI, October '22: 46.4

The eurozone economy registered its fourth successive month-on-month contraction in private sector business activity at the start of the fourth quarter. The rate of decline was the sharpest since November 2020 and, excluding those months affected by pandemic restrictions, marked the deepest downturn since the first half of 2013.

A steeper reduction in manufacturing output was accompanied by an accelerated decline in service sector activity during October. Underpinning downturns across each sector were further slumps in new orders, with uncertainty, high prices and generally weak underlying demand conditions cited by survey respondents. Consequently, backlogs of work across the euro area continued to fall while business confidence was little-changed from September, which was the lowest since the initial COVID-19 shock in the first half of 2020.

Meanwhile, after accelerating in the previous month, input cost and output price inflation rates eased in October. Overall price pressures remained historically elevated, however.

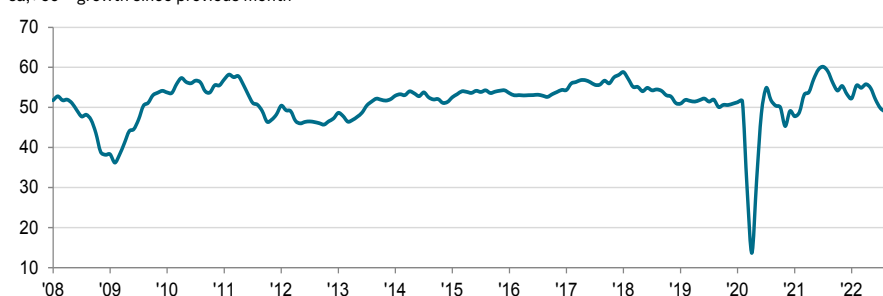
The seasonally adjusted S&P Global Eurozone Composite PMI Output Index recorded below the crucial 50.0 mark that separates growth from contraction for a fourth successive month in October. At 47.3, the headline index fell from 48.1 in September to its lowest level since November 2020. Overall, this signalled a contraction in business activity across the euro area and one that, excluding the pandemic period, was the sharpest since April 2013. The downturn reflected stronger contractions across both the manufacturing and service sectors, with the more significant drag coming from the former.

According to survey respondents, economic activity was pulled lower by weak demand, in part due to customers reining their spending in due to generally high inflation. Challenging global economic conditions also reportedly led output levels to contract.

Economic trends worsened across the eurozone nations covered by the PMI surveys. Although Ireland and France saw private sector business activity levels rise, rates of growth slowed from September. The picture was bleak elsewhere as

S&P Global Eurozone Composite PMI Output Index

sa, >50 = growth since previous month



PMI®

by S&P Global

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Spain, Italy and Germany all recorded contractions in output. Germany was the worst performer once again in October as the latest survey data pointed to the fastest deterioration in the economy since May 2020.

Overall new business received by eurozone companies fell for a fourth consecutive month in October. Generally weak underlying demand conditions were a factor behind the slump in sales. High prices for goods and services led customers to reduce their spending, according to panel members. The decrease in factory orders was significantly stronger than the fall in service sector new business. New orders from overseas* clients also slumped sharply in October.

The reduction in new work intakes led eurozone firms to channel spare resources to fulfilling pending orders. Backlogs of work fell for the fourth month in a row during October. This was exclusively driven by manufacturers as outstanding business volumes increased marginally across the service sector.

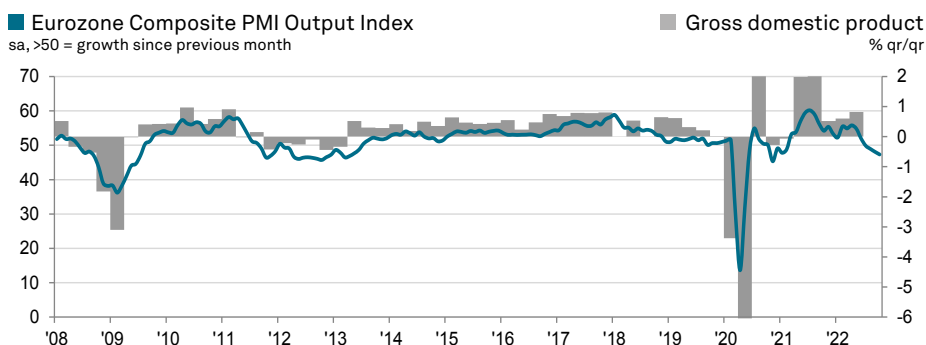
Reflecting the increasing challenges to

growth for eurozone businesses, the level of confidence in the outlook was little-moved from September's near two-and-a-half-year low. Persistently high inflation, the energy crisis, a protracted economic downturn and rising interest rates were noted as reasons to be downbeat towards the year ahead by firms.

Although survey indicators highlighted worsening economic conditions across the euro area in October, PMI data pointed to a twenty-first successive increase in overall employment levels. The rate of job creation was relatively solid overall, but among the weakest seen across the last year-and-a-half.

Elevated cost pressures were once again recorded in October, reflecting high operating expenses due to energy, wages, transportation and certain raw materials. The rate of input price inflation eased from September's three-month high but remained sharper than most months seen before 2022. Selling prices rose in response, albeit to a lesser degree than in September.

*includes intra-eurozone trade



Sources: S&P Global, Eurostat.

Comment

Joe Hayes, Senior Economist at S&P Global Market Intelligence said:

“After a weak third quarter of PMI and official GDP data, the latest survey results for the start of the fourth quarter suggest the eurozone economy is now headed for a winter recession. High inflation is dampening demand and hurting business confidence. Fears that the energy crisis could intensify over the winter period are also feeding uncertainty and weighing on decision-making.

“Nonetheless, the ECB will want to continue with monetary tightening to contain inflation. October PMI data suggest inflationary pressures

remained extremely elevated across the eurozone. We did, however, see some dovish tones in the rhetoric surrounding the ECB’s October policy decision, clearly showing that the Governing Council are concerned by the rapidly deteriorating economic outlook. A substantial worsening of economic conditions in the coming months may give policymakers a difficult decision to make with regards to the path of monetary tightening, for fear of being too aggressive and prolonging the downturn.”

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S&P Global Eurozone Services PMI®

Business expectations and employment pick up slightly in October but Eurozone Services activity was dragged down by weaker demand

The S&P Global Eurozone Services PMI Business Activity Index slipped to 48.6 in October. This was down from 48.8 in September, signalling a third successive decrease in service sector activity. The rate of decline was the fastest since February 2021, albeit modest overall.

Activity levels were pulled lower by weaker demand. The level of incoming new business placed with euro area services firms fell in October for a fourth straight month. As was the case with output, the decrease was the strongest since February 2021.

Nevertheless, capacities were tested in October, as evidenced by an increase in backlogs of work. The rate of accumulation in outstanding business was only marginal, however.

Services firms continued to hire additional staff at the start of the fourth quarter, with the rate of job creation remaining stronger than seen across the survey history on average. There was a slight pick-up in business expectations, although the level of confidence in the outlook was the second-weakest since May 2020.

S&P Global Eurozone Services PMI Business Activity Index
sa, >50 = growth since previous month

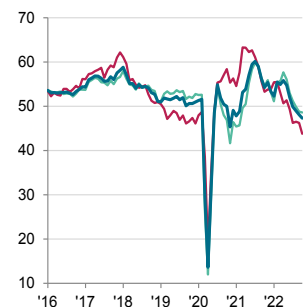


Lastly, service sector operating costs rose at a sharp pace once again in October, with companies opting to at least partly pass these on to clients through higher selling charges. That said, rates of inflation slowed in both cases.

- Composite
- Manufacturing
- Services

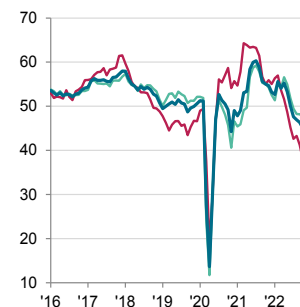
Output Index

sa, >50 = growth since previous month



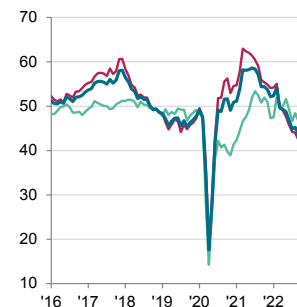
New Business Index

sa, >50 = growth since previous month



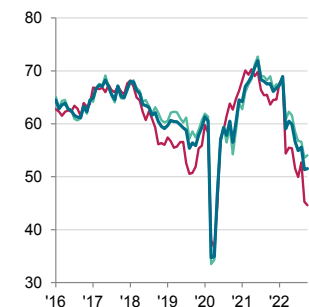
New Export Business Index

sa, >50 = growth since previous month



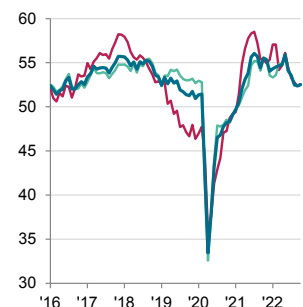
Future Output Index

>50 = growth expected over next 12 months



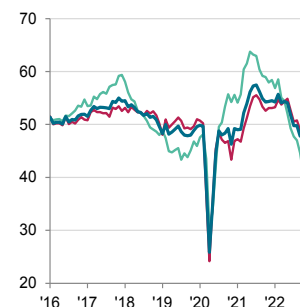
Employment Index

sa, >50 = growth since previous month



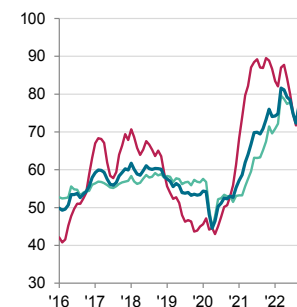
Outstanding Business Index

sa, >50 = growth since previous month



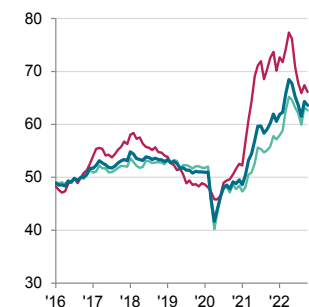
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



S&P Global Eurozone Manufacturing PMI®

Eurozone manufacturing output falls at sharpest pace since initial COVID-19 wave as demand for goods plummets

The eurozone manufacturing sector slid further into contraction territory at the start of the fourth quarter as output and new orders fell at rates rarely surpassed across the 25 years of PMI data collection. Export demand also sank sharply as geopolitical uncertainty, high inflation and weaker economic conditions around the world weighed on foreign client spending.

With output requirements rapidly diminishing, eurozone manufacturers reduced their purchases of inputs to the quickest extent since May 2020. A further easing of supply-chain pressures was also recorded as more capacity was freed up at suppliers.

Meanwhile, having accelerated slightly in September, price pressures subsided at the start of the fourth quarter. Nevertheless, output charge and input cost inflation rates remained historically elevated.

The S&P Global Eurozone Manufacturing PMI® recorded in sub-50.0 territory for a fourth month in a row in October, signalling a sustained downturn in manufacturing sector conditions. At 46.4, the headline index fell from 48.4 in September to its lowest level since May 2020.

Of the monitored eurozone constituents, only Ireland saw an improvement during October. The remaining countries registered deeper manufacturing downturns, with the majority recording the fastest deterioration since the initial COVID-19 shock during the first half of 2020. Spain was the worst-performing nation during October, closely followed by Germany.

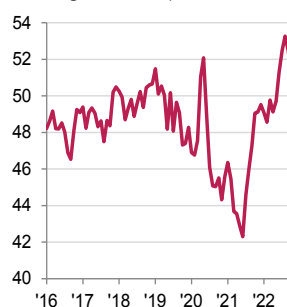
Euro area manufacturing output continued to fall during October, extending the current sequence of contraction that started in June. According to panel comments, falling client demand was a key factor driving lower production volumes. The level of incoming new orders slumped during the latest survey period, reflecting shrinking demand from clients in markets across the eurozone and other parts of the globe. In over 25 years of data collection, the rate of decline seen in new orders during October has only been surpassed during periods of intense economic turbulence such as the global financial crisis period between 2008 and 2009 and the COVID-19 pandemic.

Euro area manufacturers were also faced with another steep increase in their operating costs during October. Energy prices were a major factor that drove expenses higher, according to anecdotal evidence. That said, the rate of input cost inflation eased and was the second-weakest since the start of 2021. Helping to at least partially alleviate the upward pressures on prices were further signs that supply chains were adjusting to meet current market demands. The Suppliers' Delivery Times Index rose to its highest level in over two years and was just below its long-run average in

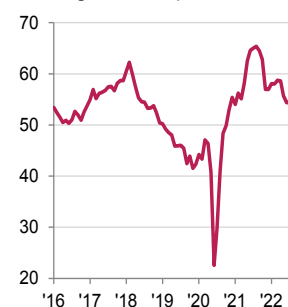
S&P Global Eurozone Manufacturing PMI
sa, >50 = improvement since previous month



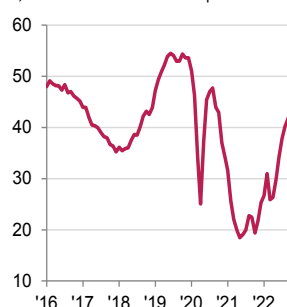
Stocks of Finished Goods Index
sa, >50 = growth since previous month



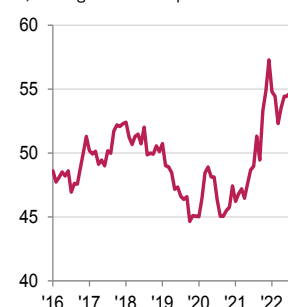
Quantity of Purchases Index
sa, >50 = growth since previous month



Suppliers' Delivery Times Index
sa, >50 = faster times since previous month



Stocks of Purchases Index
sa, >50 = growth since previous month



October. This helped bring the rate of output charge inflation down slightly to its second-lowest since April 2021.

Indeed, lower pressure on suppliers was partly a result of falling input demand. Buying activity fell at the quickest pace since May 2020 during October. Nevertheless, pre-production stocks rose as some companies accumulated safety-stock buffers to protect against price and supply risks.

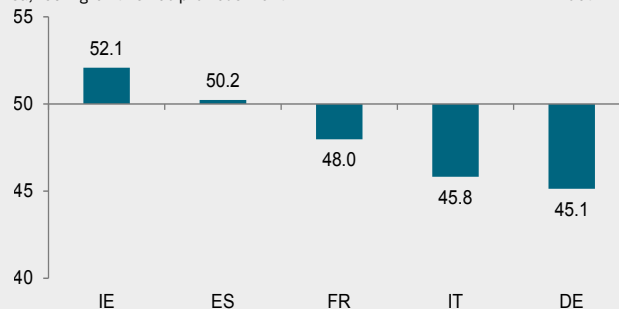
Meanwhile, October survey data pointed to the fastest reduction in backlogs of work across the eurozone manufacturing sector since May 2020. A deficit of new work relative to output helped companies clear their pending orders. Nonetheless, employment growth was sustained and edged up fractionally.

Looking ahead, eurozone manufacturers continue to expect falling output volumes over the next 12 months. Excluding the months at the start of the pandemic, the Future Output Index registered its lowest reading since the series began in 2012 during October. High inflation, geopolitical uncertainty and worsening economic conditions globally underpinned the pessimistic outlook.

Composite Output Index by country

sa, >50 = growth since previous month

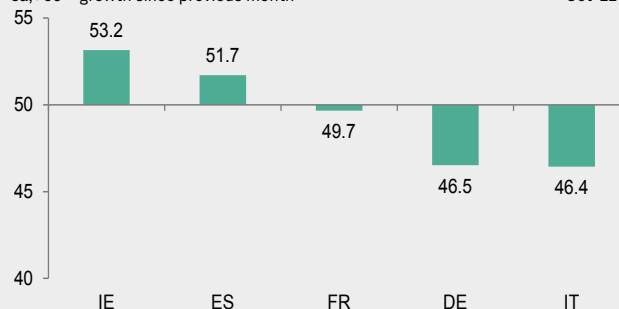
Oct '22



Services Business Activity Index by country

sa, >50 = growth since previous month

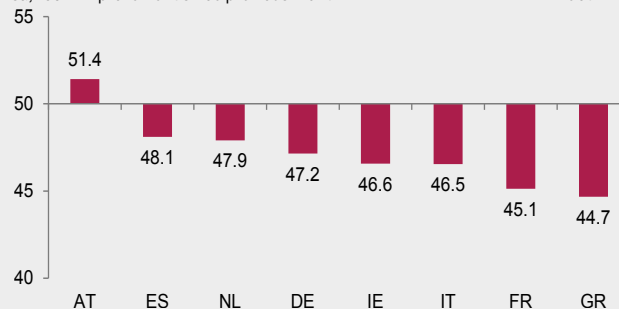
Oct '22



Manufacturing PMI by country

sa, >50 = improvement since previous month

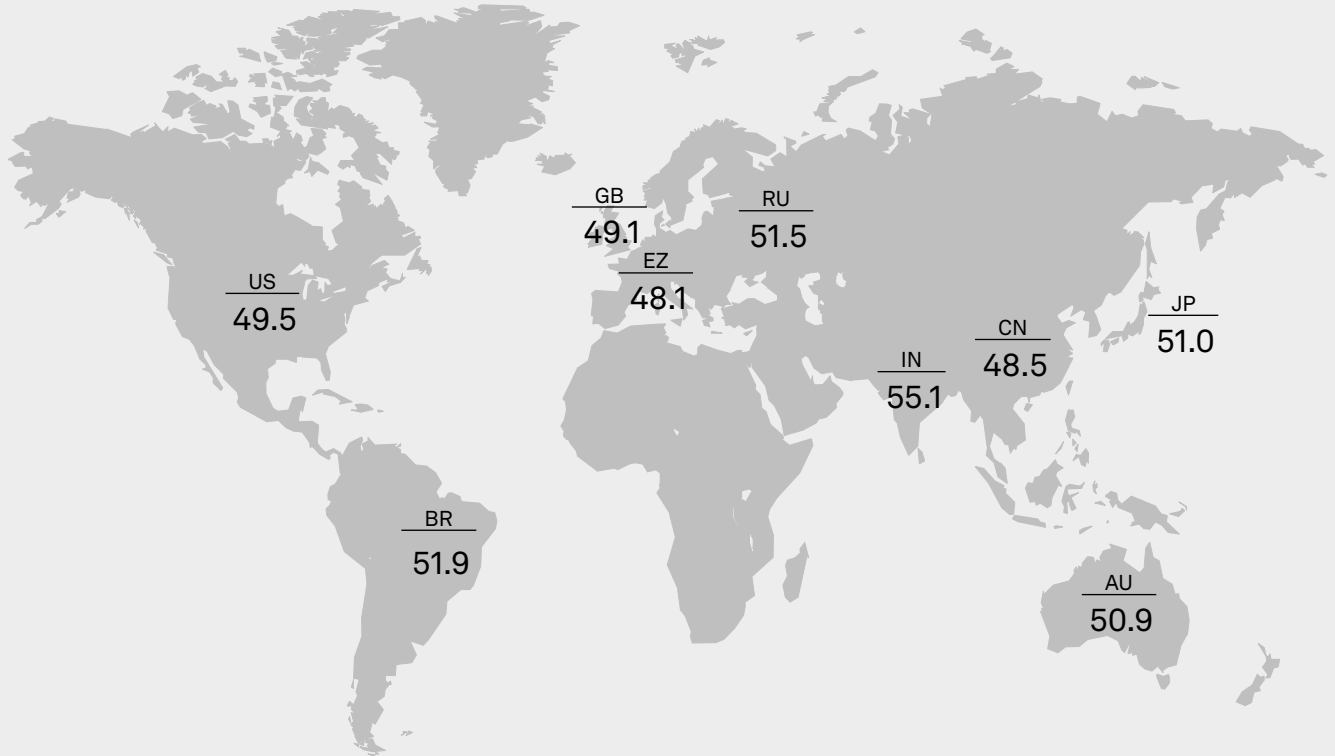
Oct '22



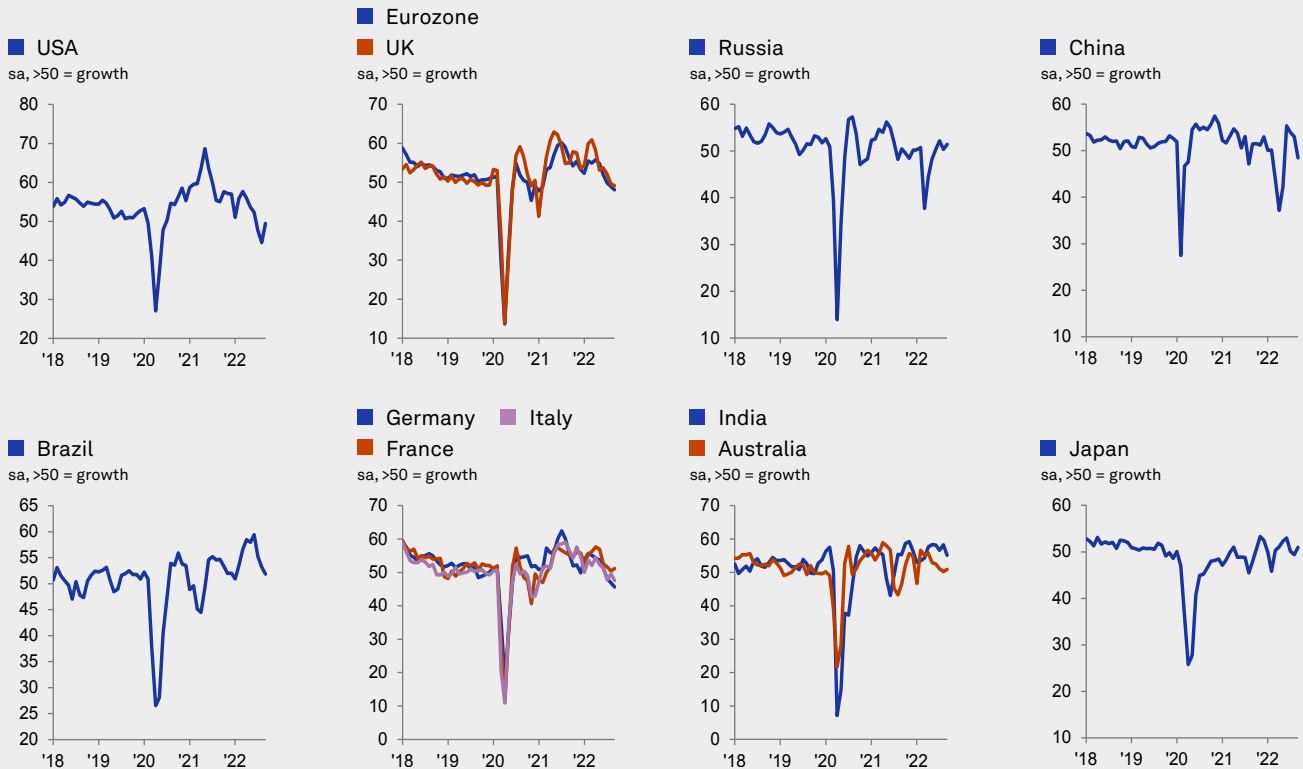
International PMI

Composite Output Index, Sep '22
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index



Survey methodology

The S&P Global Eurozone Composite PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of manufacturers in Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece, and of service providers in Germany, France, Italy, Spain and Ireland, totalling around 5,000 private sector companies. The panels are each stratified by detailed sector and company workforce size, based on contributions to each country's GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each manufacturing and services survey variable, at the country level. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Eurozone level indices for manufacturing and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Composite eurozone level indices are calculated by weighting comparable manufacturing and services indices using eurozone manufacturing and services annual value added*.

The headline composite figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

*Source: Eurostat.

Survey questions

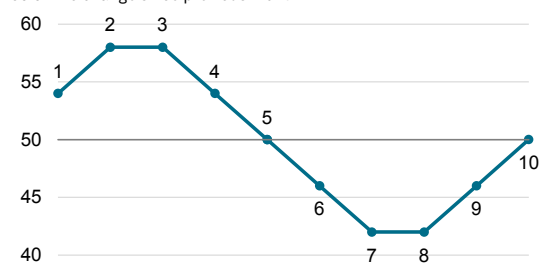
Services sector	Manufacturing sector
Business Activity	Output
New Business	New Orders
New Export Business	New Export Orders
Future Activity	Future Output
Employment	Employment
Outstanding Business	Backlogs of Work
-	Stocks of Finished Goods
-	Quantity of Purchases
-	Suppliers' Delivery Times
-	Stocks of Purchases
Input Prices	Input Prices
Prices Charged	Output Prices

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change" }) / 2$$

Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

Survey dates

Data were collected 11-26 October 2022.

Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.3 codes:

SERVICES

55	Hotels & Restaurants
60	Land Transport and Pipelines
61	Water Transport
62	Air Transport
63	Supporting Transport Activities
64	Post and Telecommunications
65	Banking
66	Insurance and Pensions
67	Other Financial Services
70	Real Estate
71	Renting of Goods

72	Computer Services
73	Research and Development
74	Other Business Activities
80	Education
85	Health Care
91	Membership Organisations
92	Recreational, Cultural and Sporting Activities
93	Other Service Activities

MANUFACTURING

15	Food and beverages
16	Tobacco products

17	Textiles
18	Wearing apparel
19	Leather and related products
20	Wood and wood products
21	Paper and paper products
22	Printing and reproduction of recorded media
23	Coke and refined petroleum products
24	Chemicals and chemical products
25	Rubber and plastic products
26	Other non-metallic mineral products
27	Basic metals

28	Fabricated metal products
29	Machinery and equipment n.e.c.
30	Office machinery and computers
31	Electrical equipment
32	Communication equipment
33	Medical, precision and optical instruments
34	Motor vehicles, trailers and semi-trailers
35	Other transport equipment
36	Other manufacturing

Index summary

Composite (manufacturing and services)

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Output	New Business	New Export Business	Future Output*	Employment	Outstanding Business	Input Prices	Output Prices
05/22	54.8	53.3	48.8	59.9	55.9	54.1	79.2	67.7
06/22	52.0	50.0	46.7	56.6	54.1	51.8	78.5	65.3
07/22	49.9	47.6	44.9	54.9	53.5	49.8	74.8	63.7
08/22	48.9	46.9	45.2	55.6	52.5	49.8	72.3	61.5
09/22	48.1	46.3	43.6	51.4	52.4	47.8	77.1	64.3
10/22	47.3	45.0	41.6	51.5	52.5	48.0	75.6	63.6

Services

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
05/22	56.1	55.0	51.6	61.6	55.9	54.9	77.4	64.6
06/22	53.0	51.8	49.2	58.5	54.0	52.7	77.9	63.2
07/22	51.2	49.5	46.6	56.8	53.6	50.5	74.7	62.1
08/22	49.8	48.2	48.4	56.6	52.4	50.8	72.5	59.9
09/22	48.8	48.2	46.7	53.6	52.4	49.0	77.4	63.2
10/22	48.6	47.7	46.7	54.1	52.5	50.7	76.9	62.7

Manufacturing

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs of Work	Stocks of Finished Goods	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Output Prices
05/22	54.6	51.3	48.7	47.7	55.4	56.1	52.0	49.7	55.7	29.9	54.4	84.2	76.2
06/22	52.1	49.3	45.2	45.8	51.5	54.5	49.3	51.3	54.4	34.2	54.5	80.0	70.9
07/22	49.8	46.3	42.6	44.2	49.9	53.3	47.7	52.5	54.4	37.9	54.7	74.8	67.9
08/22	49.6	46.5	43.3	44.0	52.7	52.8	47.0	53.3	50.8	40.2	54.6	71.7	65.9
09/22	48.4	46.3	41.3	42.4	45.3	52.4	44.6	52.5	46.5	41.8	53.0	76.5	67.4
10/22	46.4	43.8	37.9	39.6	44.6	52.6	40.8	51.2	46.6	43.4	51.3	72.0	66.1

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